

COMMITTEE ON LEGISLATIVE RESEARCH  
 OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3184-01  
Bill No.: HB 1439 with HCA 1  
Subject: Agriculture and Animals; Economic Development; Taxation and Revenue.  
Type: Original  
Date: April 29, 2002

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 4 pages.

**FISCAL ANALYSIS**

### ASSUMPTION

Officials from the **Department of Agriculture** stated this proposal will not have a fiscal impact, other than making it easier to sell tax credits.

Officials from the **Department of Revenue (DOR)** state this legislation limits the New Generation Cooperative Incentive Tax Credit, by requiring the members eligible for the credit to own land in Missouri that produces a commodity or to be domiciled in Missouri. It also allows the tax credits to be claimed against quarterly estimated tax.

DOR assumes that modifications will be needed to allow for the estimated tax calculation. However, these changes are minimal and can be made with existing resources. DOR states the Office of Administration, Budget and Planning will estimate the revenue impact.

In response to similar legislation from this year, officials from the **Office of Administration, Budget and Planning** deferred to the Department of Agriculture to provide tax credit estimates.

Officials from the **Department of Insurance (INS)** stated language in the proposal creates a cash equivalent that could be applied in multiple ways and/or times by the contributor. Currently, tax credits are applied to annual tax due, not quarterly. INS assumed extensive contract computer programming would be required to modify the tax credit database to allow for applying the tax credit to estimated quarterly payments. Contract computer programmer proficient in Mark IV language was estimated at \$125 per hour. INS estimated that approximately 1,620 hours of programming would be needed to modify the current tax credit system for a cost of \$202,500 (\$125 x 1,620 hours) to the Insurance Dedicated Fund. Applying tax credits quarterly will also impact timing of revenue collections. Rather than collecting estimated payments throughout the year and applying credits at year end, payments would be reduced quarterly.

**Oversight** assumes that a small number of insurance companies would claim the tax credits quarterly. INS could absorb costs related to this proposal by maintaining a manual or personal computer based system for these insurance companies that take the tax credits rather than reprogramming their system. Should more than a few insurance companies take the quarterly tax credit or should other existing premium tax credits be allowed to be taken quarterly, the INS could request additional funding through the appropriation process.

Officials from the **Department of Natural Resources** assumed this proposal would have no direct fiscal impact on their department.

### ASSUMPTION (continued)

**Oversight** assumes the changes made to the New Generation Cooperative Incentive Tax Credit program and the Agricultural Product Utilization Contributor Tax Credit program will not

change the annual cap of \$6 million. According to Missouri Agricultural and Small Business Development Authority within AGR, roughly \$4.5 million of the available credits were issued in FY 2000, and roughly \$4.3 million of the available credits were issued in FY 2001. The fiscal note prepared for the enabling legislation for this program reflected a loss of state funds of \$6 million annually starting in FY 2000. Therefore, while this proposal may result in an increased utilization of the tax credit programs, Oversight assumes the cap on the programs has not changed from the \$6 million reflected in the fiscal note for HB 888 in 1999, and therefore, assume no additional fiscal impact from utilization of the tax credits from the changes in these programs.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

#### FISCAL IMPACT - Small Business

This proposal may impact small businesses that participate in either the Agricultural Product Utilization Contributor Tax Credit or the New Generation Cooperative Incentive Tax Credit programs.

#### DESCRIPTION

This proposal would allow tax credits from the Agricultural Product Utilization Contributor Tax Credit or the New Generation Cooperative Incentive Tax Credit will be allowed to be claimed either as a credit against the tax or the estimated quarterly tax.

#### DESCRIPTION (continued)

Beginning January 1, 2001, in order to claim the New Generation Cooperative Incentive Tax Credit the member must be domiciled in the state of Missouri or must own land in Missouri which produces a

commodity in certain amounts.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Agriculture  
Department of Revenue  
Department of Insurance  
Department of Natural Resources  
Office of Administration - Budget and Planning

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Acting Director  
April 29, 2002